

Director of
Central
Intelligence

~~Top Secret~~ (M)

[REDACTED]

b3

National Intelligence Daily

Wednesday
4 March 1967

Approved for Release
Date JUN 1999

[REDACTED]

b3

~~Top Secret~~

b(3)

Warning Page Deleted
B-3

Contents

	North Korea-South Korea: Move Toward Dialogue	1
	Mexico: Pressing Commercial Banks	2
b1 b3	[REDACTED]	3
b1 b3	[REDACTED]	4
	Notes	
	India-China: Border Tensions	5
	Israel-USSR: Increased Contacts	5
	Arab States-Lebanon: Support for Syria's Move	6
	East Germany-USSR: Gorbachev's INF Proposal	6
	Chad-Libya: N'Djamena Disclaims Truce	7
	Romania-Hungary: Dispute on Minority Issue	7
	Madagascar: Crackdown on Violence	8
	West Germany: Antinuclear Protests Focus on Transport	8
b1	[REDACTED]	9
b1	[REDACTED]	9
	In Brief	10
	Special Analyses	
	Western Europe-USSR: Reactions to Gorbachev's Reforms	11
	Italy: Implications of Craxi's Resignation	13
	PLO-Libya: Warming Relations	15

~~Top Secret~~

~~NOFORN-NOCONTRACT~~

b3

**NORTH KOREA-
SOUTH KOREA:**

Move Toward Dialogue

North Korea's conditional offer yesterday to return to the North-South dialogue is probably intended to demonstrate a new flexibility that will be difficult for the Chun government to turn aside and is timed just before Secretary Shultz arrives in Seoul in hopes that the US will press South Korea to accept.

b3

The North said it will return to talks on economic, Red Cross, and parliamentary issues if the South accepts the proposal it tendered two months ago to begin high-level political and military talks. Seoul has not responded formally but some South Korean officials have expressed surprise at the North's flexibility.

b3

In its January initiative, the North dropped its longstanding call for US participation in any military talks. The new proposal is the first sign that P'yongyang is willing to accede to Seoul's demand to return to talks at the working level, which the North suspended a year ago to protest the annual US-South Korean Team Spirit military exercise. North Korea had refused to return to that dialogue unless the exercise was canceled.

b3

b3

North Korea may hope these signs of flexibility will improve its image and move it closer to several key goals. P'yongyang wants international support for its bid to cohost the summer Olympics next year, and, by suggesting sincerity on reducing tension, the North probably hopes to undercut South Korean President Chun's campaign to portray P'yongyang as a security threat.

b3

P'yongyang caught the South off guard. Because Seoul is preoccupied with domestic politics, it probably will have problems in formulating a response.

b3

~~Top Secret~~

b (3)

4 March 1987

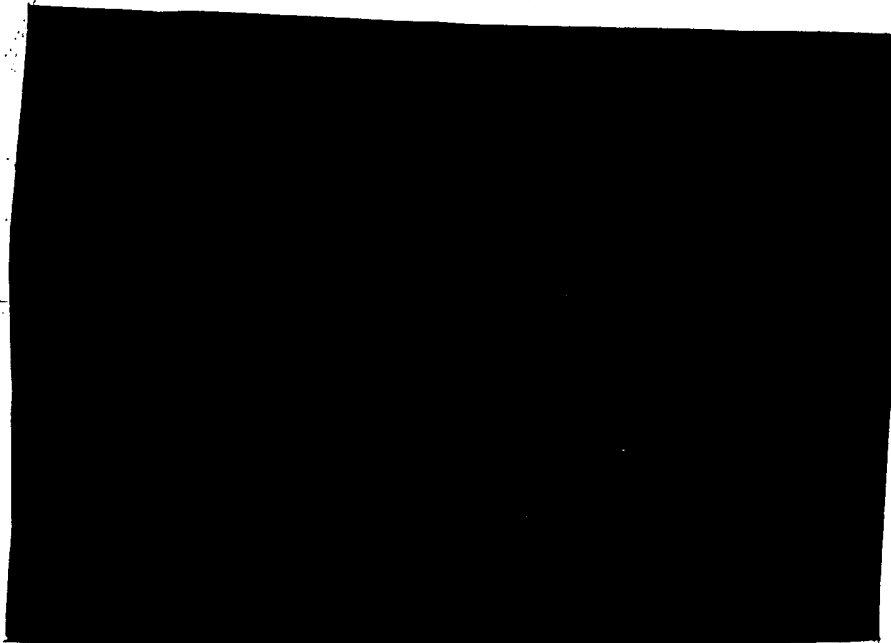
b3

b (3) ~~Top Secret~~

MEXICO:

Pressing Commercial Banks

Mexican officials are searching for a way to put pressure on commercial banks in the US and Western Europe to participate in the \$7.7 billion financial package arranged for Mexico, but the government probably will find isolating those banks difficult.



b1
b3

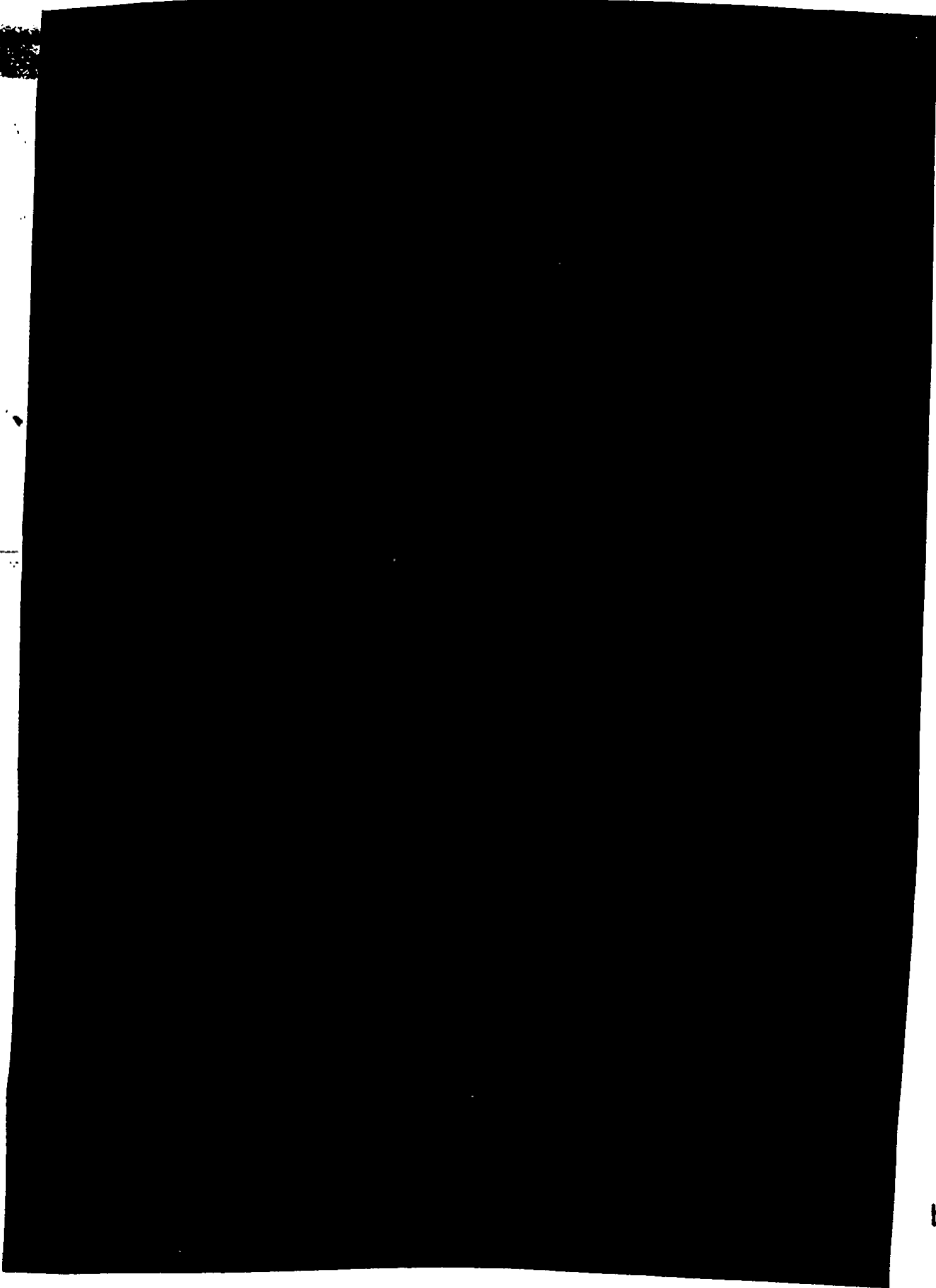
b (3) ~~Top Secret~~
4 March 1987

b1
b3

~~Top Secret~~

b3

b (1) b (3)



b (1) b (3)

b (1) b (3)

b (1) b (3)

b (1) b (3)

b (1) b (3)

b (1) b (3)

~~Top Secret~~

4 March 1987

b3

~~Top Secret~~

b (3)

b1

b3

b (1) b (3)

b (1) b (3)

b (1) b (3)

b (1) b (3)

~~Top Secret~~

4 March 1987

b (3)

~~Top Secret~~

b (3)

INDIA-CHINA: Border Tensions

[REDACTED] tensions to mount along the disputed eastern border, and that Indian troops are preparing for skirmishes after the snow melts this-month and before the monsoon season begins in June. [REDACTED]

[REDACTED] is planning an exercise to test contingency plans for the Sino-Indian border. [REDACTED]

- b (3) [REDACTED] China's forces in Tibet are already in a heightened state of alert, and Beijing is likely to react to any exercise near the Chinese frontier with major reinforcements. New Delhi probably will respond aggressively to any perceived Chinese border violations this spring, and skirmishes are likely if the demarcation negotiations remain deadlocked. [REDACTED]

ISRAEL-USSR: Increased Contacts

Israel will allow a Soviet consular delegation to visit, [REDACTED] opening the way for additional contacts between the two countries. [REDACTED]

[REDACTED] Soviet UN envoys recently have been seeking more frequent meetings with their Israeli counterparts. The Soviets last month granted a tourist visa to a Soviet emigrant in Israel who wanted to return to the USSR to visit a dying parent—a case the [REDACTED] an important human rights test. [REDACTED]

- b (3) [REDACTED] Moscow had sought a consular team's visit as a way of broadening its dialogue with Israel without seriously alarming its Arab allies. Israeli leaders, meanwhile, are hopeful that an improvement in East-West relations prompted by General Secretary Gorbachev's new arms control proposals will carry over to Israeli-Soviet ties. Tel Aviv remains determined on the issue of Jewish emigration from the USSR and is watching closely for confirmation that the Soviets have begun processing 500 emigration applications allegedly approved two months ago and for other signs of a long-term easing of Soviet emigration requirements. [REDACTED]

~~Top Secret~~

b (3)

4 March 1987

~~Top Secret~~

b (3)

b1
b3

ARAB STATES-LEBANON: Support for Syria's Move

The "good offices" committee of the Arab League gave tacit support to Syria's move into West Beirut during its meeting in Tunis on Sunday and agreed to set up a subcommittee to look into the welfare of the Palestinians in the refugee camps in Lebanon. It did not endorse a call by PLO leader Arafat for an emergency session of the Arab League. [REDACTED] the growing Arab consensus on Lebanon means that the Iran-Iraq war is the major obstacle to holding a much-postponed Arab League summit later this year. [REDACTED]

b1, b3

b3

b3

[REDACTED] The sentiment of the committee closely parallels public and private Arab comments that the Syrian intervention was necessary to redress the deteriorating security situation in West Beirut. There is general concern among Arabs about Syria's ultimate aims against the Palestinians, but measured Syrian moves have so far helped to allay such anxieties. Most Arab leaders probably hope that Syria's military presence and clashes with Hizballah will strain relations between Damascus and Tehran, increasing the chances for a reduction in Damascus's support for Iran in its war with Iraq and for the holding of an Arab League summit, perhaps this fall. [REDACTED]

b3

b3

EAST GERMANY-USSR: Gorbachev's INF Proposal

East Germany has reacted enthusiastically to General Secretary Gorbachev's zero-zero INF proposal almost certainly because it would require the withdrawal of the shorter range "countermeasure" missiles deployed in 1983 on its territory. East Berlin issued one of its infrequent, joint party-government statements in support of the proposal. East German leader Honecker instructed the East German Permanent Representative in Bonn to call on Chancellor Kohl on Monday to urge him to use his influence with the US on behalf of the proposal. [REDACTED]

b3

b (3) [REDACTED] Honecker calls the shorter range missiles "devilish instruments." Their presence in East Germany has long been a sore point between him and the Soviets. Honecker is probably doubly relieved at their prospective withdrawal because it would give him the opportunity to cheer Gorbachev at a time when Western media have been reporting increasingly on strains between the two countries over the Soviet leader's reform program. If East Germany can appear to move Kohl in the direction of supporting the Soviet proposal, this will increase Honecker's chances of making his long-awaited visit to West Germany. [REDACTED]

b3

~~Top Secret~~

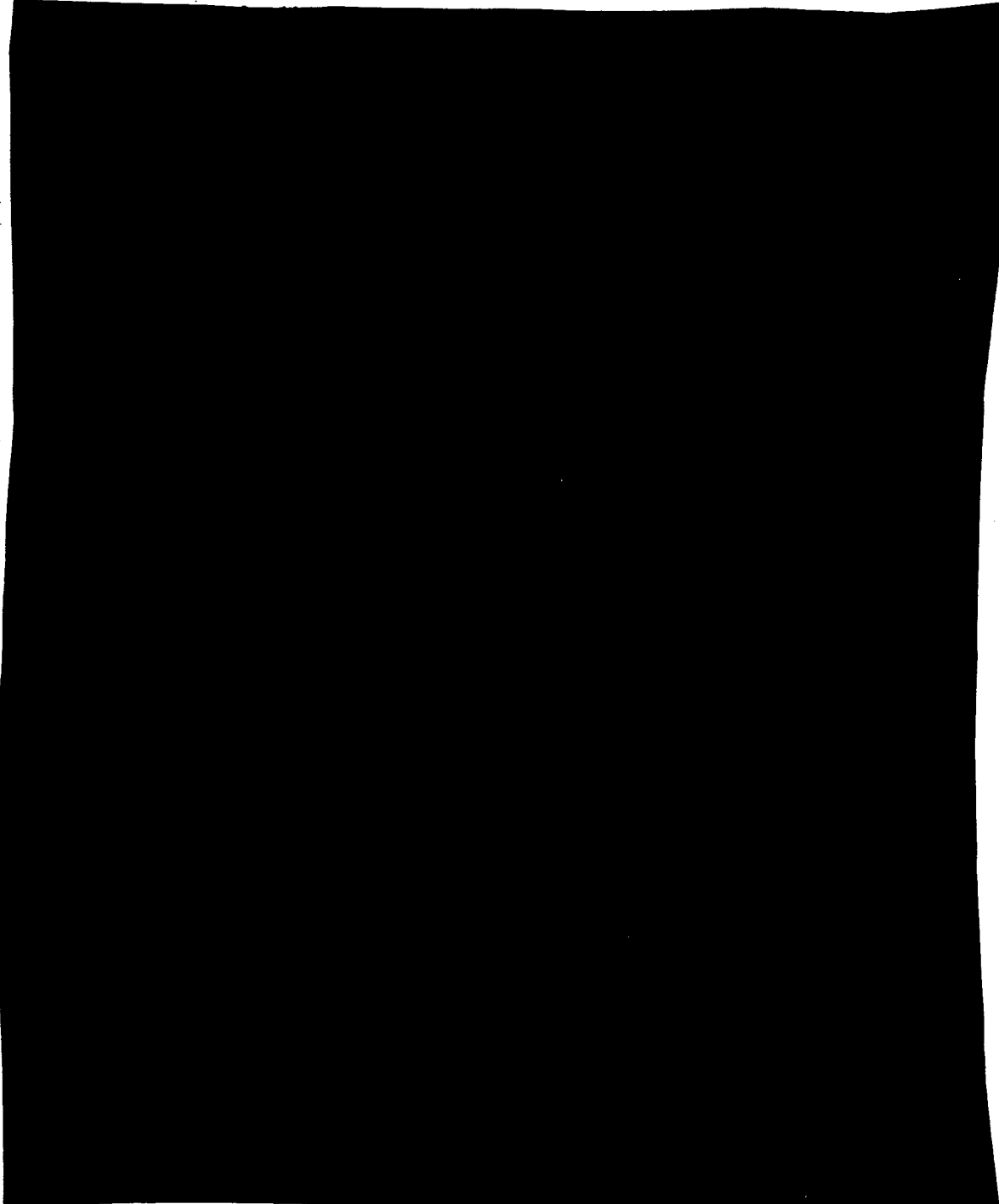
4 March 1987

b (3)

~~Top Secret~~

b (3)

b1
b3



~~Top Secret~~

4 March 1987

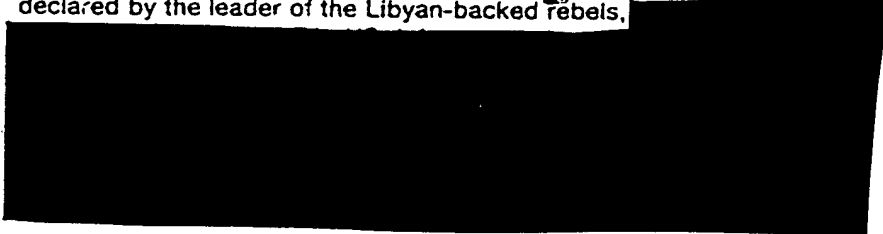
b (3)

~~Top Secret~~

b (3)


CHAD-LIBYA: N'Djamena Disclaims Truce

The Chadian Government has not agreed to the cease-fire that was declared by the leader of the Libyan-backed rebels.



b (1) b (3)

b3 Although the two sides may be talking behind the scenes, any cease-fire at this point is one sided. Moreover, Chadian forces expect renewed attacks by Libyan and Libyan-backed rebel troops. Habre probably is pleased with the performance of the recently combined government and guerrilla forces who continue to harass Libyan troops in the Tibesti Mountains.



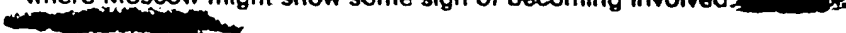
b3

ROMANIA-HUNGARY: Dispute on Minority Issue

In a harsh speech last week, Romanian President Ceausescu warned that, if Hungary continues its "fascist, chauvinist, and even racist" criticism of his policy to assimilate forcibly Romania's 2 million ethnic Hungarians, it would be "contrary to the interests" of both nations and suggested that the two countries lay their differences aside and resume a dialogue on other issues. The speech followed a series of increasingly sharp remarks in the Hungarian press and by Hungarian leaders on Romania's minority policies.

relations between the countries are "cool." He implied that the reason Hungarian party leader Kadar has refused to meet with Ceausescu during the past decade was Romania's failure to honor commitments on cultural contacts made at their last meeting.

b3 Ceausescu blames Hungary for increased international attention to his abysmal human rights record. He probably is also concerned about rising discontent within Romania's Hungarian minority at a time when he is imposing economic austerity at home. Ceausescu hopes to play on ethnic rivalries to contain their protests. The Hungarians are increasingly frustrated over Bucharest's failure to act on the problem and are not likely to curtail their criticism. Budapest, however, is reluctant to force the issue to the point where Moscow might show some sign of becoming involved.



~~Top Secret~~

4 March 1987

b (3)

~~Top Secret~~

b (3)

MADAGASCAR: Crackdown on Violence

Madagascar's security forces clashed with university students in the capital last week, leaving at least six dead. [REDACTED] Troops were also hard pressed to quell three days of rioting in a nearby town, where residents burned and looted property of ethnic Indians, who dominate local business activities. The Army and police, which have tried to avoid confrontations with students over the past two months, have now announced that demonstrators will be shot. [REDACTED]

b (3)

b3

b3

[REDACTED] President Ratsiraka probably calculates that a crackdown is necessary to contain the situation. He especially needs to prevent the southern Malagasy, long dissatisfied with their lack of influence in the government, and other disaffected groups from joining the students, who were protesting cutbacks in education. Ratsiraka knows that the previous regime's failure to move decisively against student strikers in 1975—and to isolate them from dissident laborers and peasants—contributed to the governmental collapse that brought him to power. Although the disturbances are in large part economically motivated, Ratsiraka is not likely to back down from his IMF-sponsored reforms, which are essential to a continuation of vital donor aid. [REDACTED]

b3

WEST GERMANY: Antinuclear Protests Focus on Transport

[REDACTED] protest attacks against West German rail lines transporting nuclear materials increased more than 80 percent last year, probably because of the nuclear accident at Chernobyl. In April and the construction of a spent-fuel-reprocessing plant at Wackersdorf. Most of the attacks have involved minor vandalism, but at least one was an attempted bombing of a train carrying nuclear waste to a storage site near Gorleben. [REDACTED]

b1, b3

b3

[REDACTED] These incidents will probably get worse unless new West German laws regarding protest attacks and terrorism have more impact than expected. Groups at an antinuclear conference two months ago [REDACTED] were planning to concentrate their efforts on nuclear transport throughout the country later this year, primarily because rail lines were easier targets than nuclear plants. These attacks are unlikely to pose a serious radiological threat, because the radioactive materials being shipped are in large containers that are extremely difficult to breach. [REDACTED]

b3

~~Top Secret~~

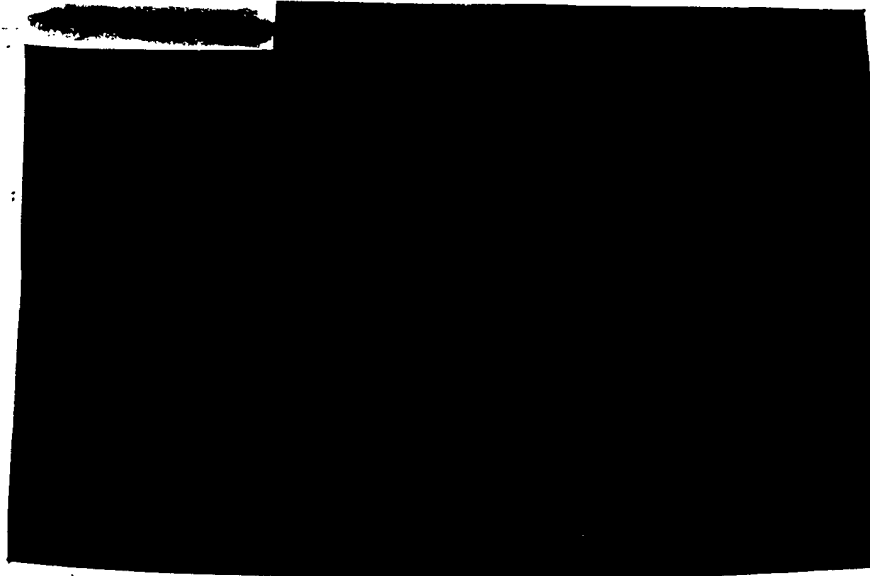
4 March 1987

b (3)

~~Top Secret~~

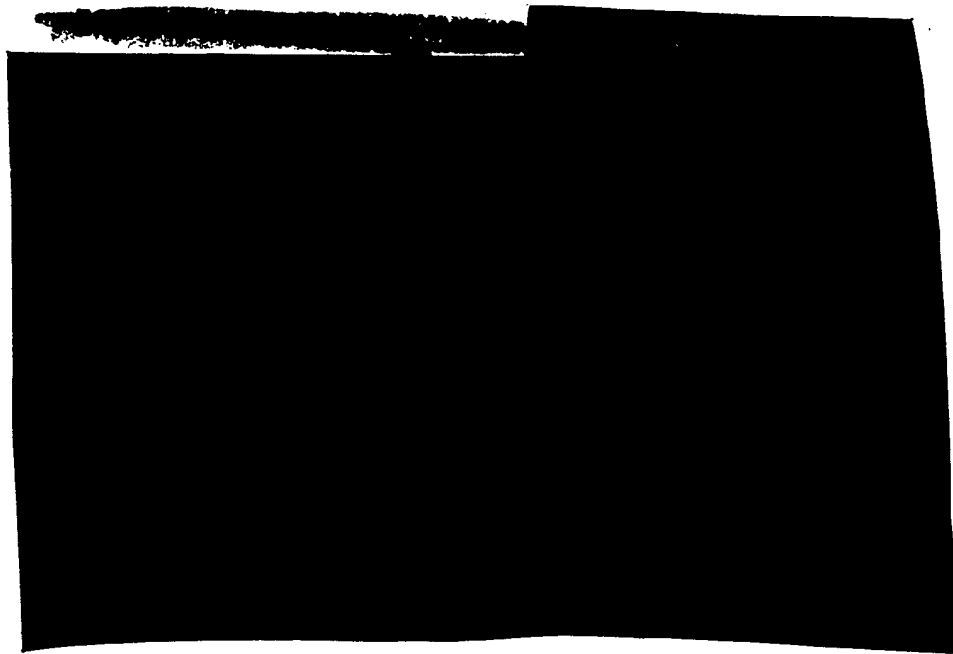
b (3)

b1
b3



b (1) b (3)

b (1) b (3)



b (1) b (3)

b (1) b (3)

~~Top Secret~~

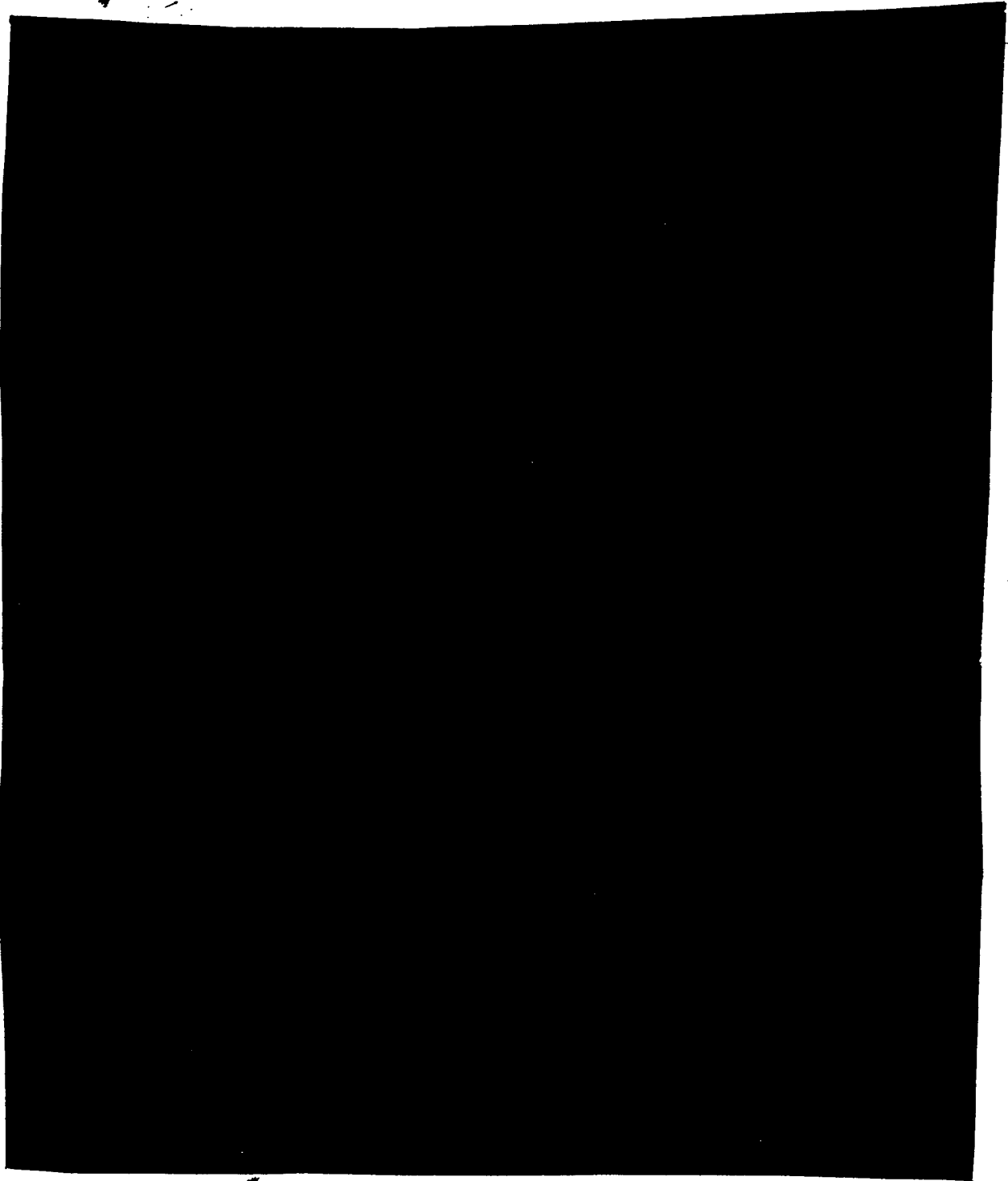
b (3)

March 1987

~~Top Secret~~

b (3)

b1
b3



~~Top Secret~~

4 March 1987

b (3)

b (3)

~~Top Secret~~

In Brief

East Asia

- **Soviet-Chinese** trade protocol for this year has been signed in Moscow ... part of five-year, \$14 billion barter agreement ... possibly timed to counterbalance visit to Beijing by Secretary Shultz. [REDACTED]

b (1) b (3)

b3

Americas

- **USSR** to pay more than double world price for **Nicaraguan** agricultural commodities this year. [REDACTED]
- **Paraguayan** political exile Domingo Laino will seek to enter country this week. [REDACTED] beaten, denied entry in June ... regime may permit entry to improve human rights record, relations with US. [REDACTED]

b1
b3

b3

Middle East

- **Egyptian** negotiators en route to **USSR** for new debt talks ... probably seeking favorable treatment as precedent for other creditors, including US ... demands for forgiveness of all interest, more favorable exchange rate major sticking points. [REDACTED]

b3

b1
b3

b (3)

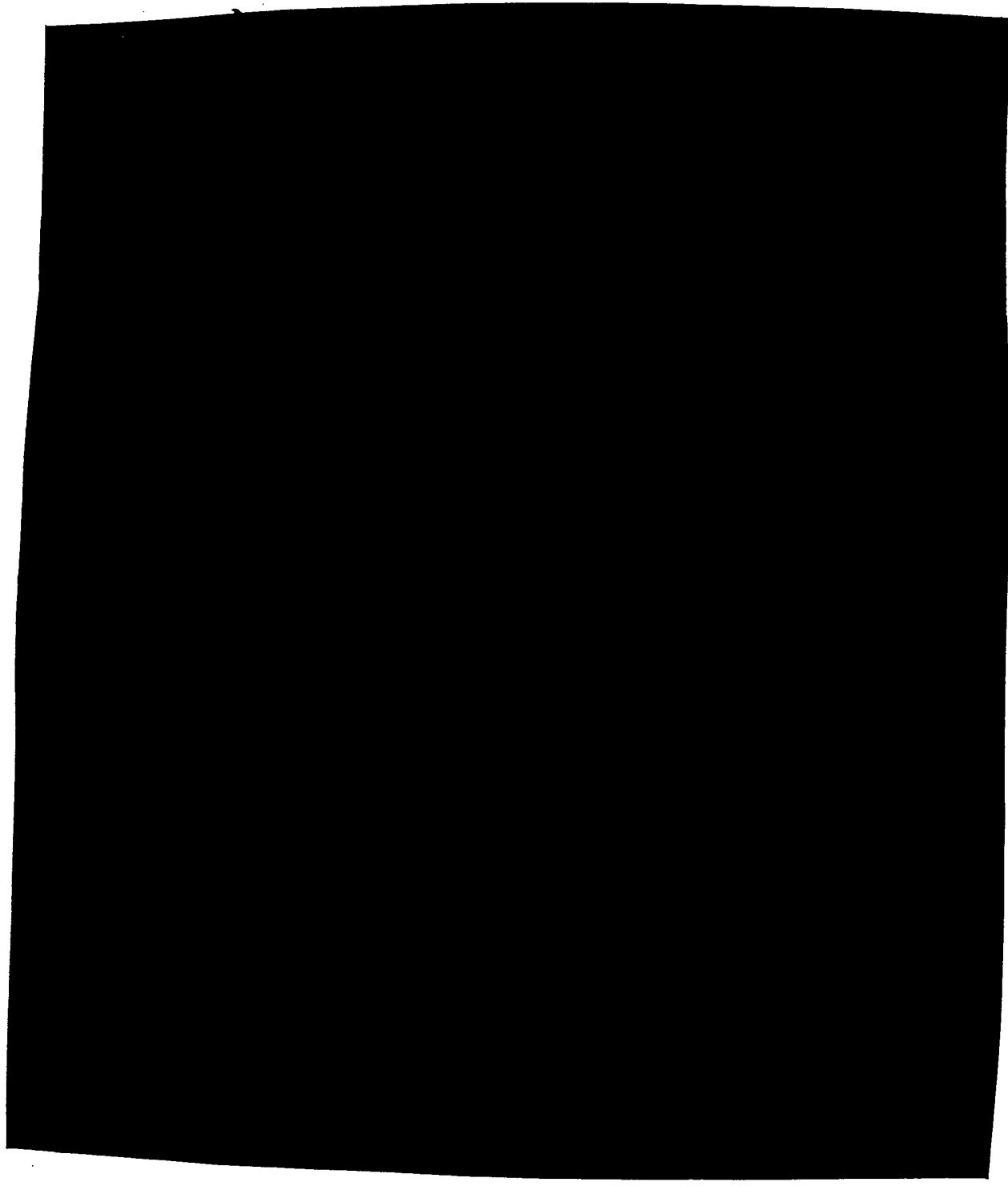
~~Top Secret~~

4 March 1987

~~Top Secret~~

b (3)

b1
b3



~~Top Secret~~

4 March 1987

b (3)

b (3)

~~Top Secret~~

b1
b3

Special Analysis

**WESTERN EUROPE-
USSR:**

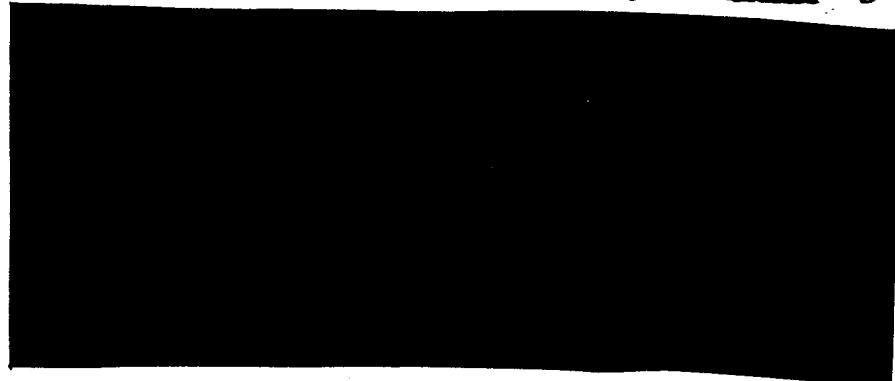
Reactions to Gorbachev's Reforms

West European leaders are guardedly optimistic about General Secretary Gorbachev's efforts to bring change to the USSR, but they remain skeptical about the depth of his reforms. Some are concerned that Gorbachev's image building at a time of increased US-West European strains might undercut NATO interests. Most nonetheless probably feel that public opinion obliges them to be receptive to Gorbachev's initiatives, and they may move toward expanding joint ventures and scientific cooperation with the USSR.

b3

West European leaders' public responses to Gorbachev's democratization campaign and to such initiatives as the release of dissidents have ranged from enthusiastic approval to grudging admission that the Soviet leader is backing up his "charm offensive" with more than rhetoric. West Europeans at all levels and across most of the political spectrum give him higher marks for initiating reforms than by Soviet standards are both radical and enlightened.

b3



b1

b3

More Vigilant Than Positive



b1

b3

~~Top Secret~~

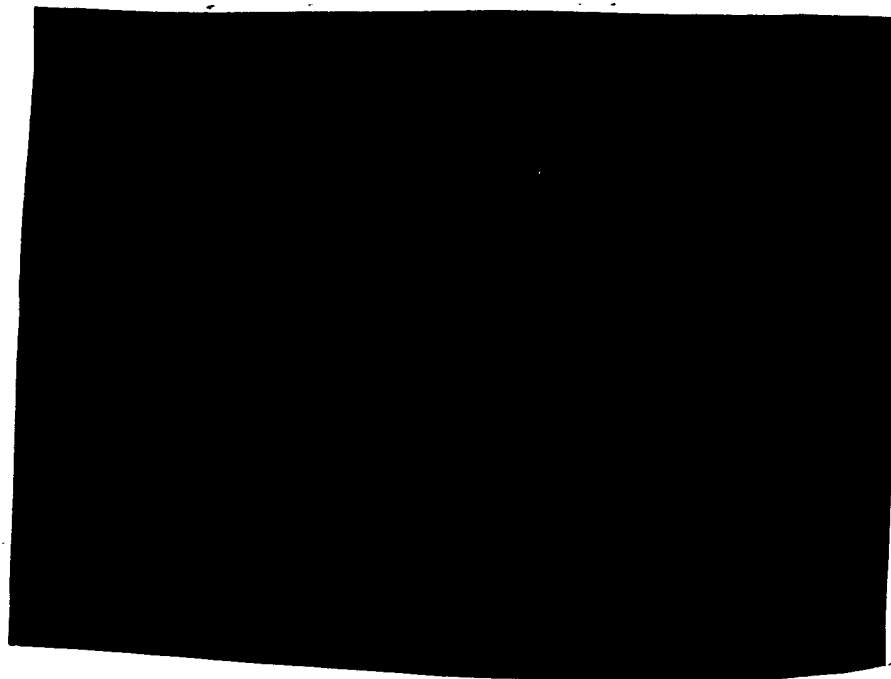
b (3)

4 March 1987

~~Top Secret~~

b (3)

b1
b3



~~Top Secret~~

4 March 1987

b (3)

~~Top Secret~~

b (3)

Most other West European leaders are reserving judgment even though they feel obliged to applaud Gorbachev's moves. EC Foreign Ministers have welcomed the Soviet liberalization as an apparently new approach to East-West relations.

[REDACTED]

[REDACTED]

[REDACTED]

b3

Other European officials, such as [REDACTED] appear concerned that Moscow may be scoring dangerous political gains because a dynamic, seemingly progressive Soviet leader has emerged at a time when US policy is perceived as being in disarray. The prospect of more US-West European friction over trade and monetary policies while public opinion ratings for Gorbachev remain high probably will become increasingly worrisome to Allied leaders.

[REDACTED]

b3

Striking a Balance

Most West European leaders remain skeptical of Gorbachev's chances of fundamentally changing the Soviet system, but they are inclined to give him the benefit of the doubt. Most will continue to feel compelled to avoid charges of missing opportunities to advance East-West relations. An improved human rights climate in the USSR, for example, may provide justification for improved trade.

[REDACTED]

b3

In trying to strike a balance that would rein in enthusiasts such as Genscher while avoiding charges of negativism, West European leaders may also agree to greater scientific, nuclear, and space cooperation. They may accelerate joint economic ventures—with implicit sharing of technology and technical expertise. In addition, the leaders may accept the West German proposal for an East-West economic conference or Gorbachev's proposal for an exchange of Soviet and EC Ambassadors. West European leaders will grow increasingly uneasy if they perceive that Washington's preoccupation with the Iran controversy prevents it from regaining the diplomatic initiative.

[REDACTED]

b3

~~Top Secret~~

4 March 1987

b (3)

~~Top Secret~~

b (3)

Special Analysis

ITALY:

Implications of Craxi's Resignation

Italian Prime Minister Craxi's resignation yesterday had the appearance of being in formal compliance with an earlier agreement by the five-party governing coalition to transfer the Prime-Ministry to a Christian Democrat this month, but his true aim is to scuttle the pact. [REDACTED] and is prepared to employ obstructionist tactics if he can avoid adverse political fallout. His most likely successor, Foreign Minister Andreotti, a Christian Democrat, will thus face an uphill struggle to form a new government; the outcome might be an early election.

b3

Craxi's preference for an early election, which the Christian Democrats will almost certainly force this spring if they cannot put together a government, stems from his conviction that his party would fare well, and give him a strong claim to head a coalition government again in the next parliament.



b1
b3

Andreotti's Challenge

The probability that Craxi will resort to obstructionism suggests that Andreotti, whom President Cossiga will almost certainly name to form a new government, will face a tough battle to preserve the coalition under his leadership. Andreotti's efforts may be further handicapped by the maneuvering of Christian Democratic leader De Mita. [REDACTED] that the capable Foreign Minister fall in this quest in order to facilitate his own elevation to the Prime-Ministry after the next election. Although De Mita cannot afford to offend Andreotti's supporters by openly sabotaging Andreotti's efforts to form a new government, he may try subtly to limit Andreotti's freedom of action by taking a tough stand against Craxi's demands for Cabinet posts and certain policies.

b3

Working in Andreotti's favor will be the risks that Craxi could sacrifice his party's expected electoral gains if he were to appear to adopt an inflexible stance. Recent opinion polls showing that about two-thirds of Italians oppose an early election are likely to reinforce Craxi's

continued

~~Top Secret~~

4 March 1987

b (3)

~~Top Secret~~

b (3)

b3

concerns. Andreotti will be aided by the worries of the smaller coalition partners that an early election would be dangerous for them because they are still in the midst of efforts to restore their images, which have been tarnished by scandals, internal divisions, and—in the case of Defense Minister Spadolini's Republicans—too close an association with US counterterrorism policy in the wake of publicity over Washington's arms sales to Iran.

b3

Possible Scenarios

It is likely that Andreotti will fail in his bid. The maneuvering by Craxi and De Mita will probably raise tensions in the coalition to the point that the partners will see the air-clearing jolt of an early election as preferable to 15 more months of divided, ineffective leadership by the coalition. If President Cossiga is unable to secure support for a single candidate, as seems likely, an election will probably be held in early May. Coalition leaders, however, may decide to wait until after the Western economic summit talks at Venice in early June.

b3

There is, however, a fair chance that Andreotti, who is shrewd and wily, might be able to form a government despite the maneuverings of Craxi and De Mita against him. He could grant sufficient concessions to Craxi to make Craxi's continued opposition to the transition appear irresponsible. Andreotti will try to deter De Mita from acting too boldly by having Andreotti's supporters warn De Mita against stabbing Andreotti in the back. He may also play successfully on the fears of the smaller coalition partners about an early election to build a united front in favor of the transition, thereby isolating and sobering Craxi and reducing De Mita's opportunity for maneuver.

b3

~~Top Secret~~

b (3)

4 March 1987

~~Top Secret~~

b (3)

Special Analysis

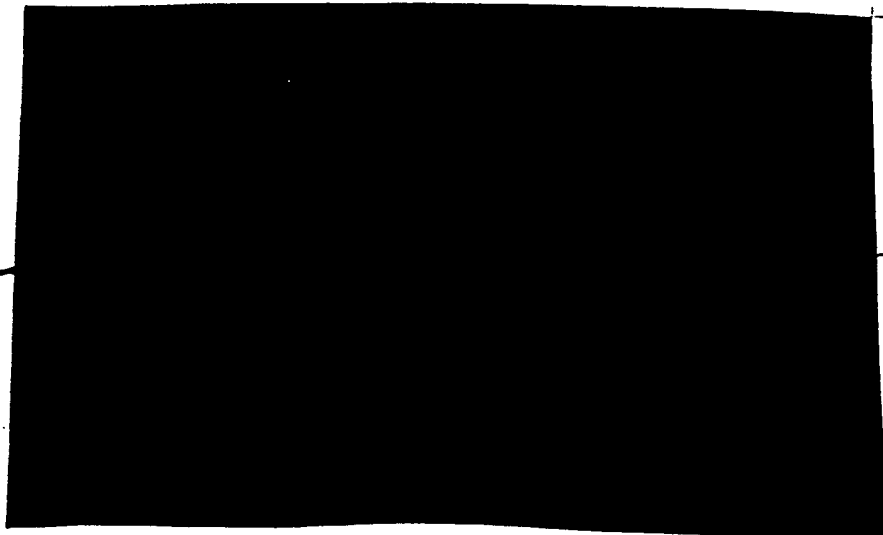
PLO-LIBYA:

Warming Relations

~~_____~~ to PLO Chairman Arafat have been meeting with Libyan leader Qadhafi recently to discuss the situation in Lebanon and the reunification of the PLO despite Qadhafi's continued support for Syrian-based anti-Arafat groups. ~~_____~~

b3

The PLO's relations with Libya have been strained since Tripoli withdrew its recognition of the organization in 1983 to support radical Palestinian groups that later formed the Damascus-headquartered Palestine National Salvation Front. Libya nonetheless has actively supported most Palestinian groups—including Arafat's Fatah—against the Syrian-backed Amal militia during the renewed fighting in Lebanon since late last year. ~~_____~~



b1

b3

b1,
b3

Contacts between Libya and the PLO will remain limited as long as mutual suspicions persist. Arafat probably hopes increased contacts, however, will encourage Qadhafi to use his leverage over radical Palestinians to promote PLO unity. For his part, Qadhafi will continue to work for a Palestine National Council meeting in Tripoli in an effort to unite the Palestinians under his guidance. ~~_____~~

b3

~~Top Secret~~

b (3)

4 March 1987